

# City of Piedmont, Oklahoma



**ANNUAL FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORTS**

**AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**THE CITY OF PIEDMONT, OKLAHOMA**  
**ANNUAL FINANCIAL STATEMENTS AND INDEPENDENT**  
**AUDITOR'S REPORTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**CITY OF PIEDMONT, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
**As of and for the Year Ended June 30, 2013**

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## INDEPENDENT AUDITOR'S REPORT

To the City Council  
City of Piedmont, Oklahoma

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Piedmont, Oklahoma, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Piedmont, Oklahoma, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5-11 and 43-45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Piedmont, Oklahoma's basic financial statements. The nonmajor governmental combining statements, schedule of expenditures of federal and state awards and the schedule of debt service coverage requirements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The nonmajor governmental combining statements, schedule of expenditures of federal and state awards and the schedule of debt service coverage requirements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the nonmajor governmental combining statements, schedule of expenditures of federal and state awards and the schedule of debt service coverage requirements are fairly stated in all material respects in relation to the basic financial statements as a whole.

#### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated February 19, 2014, on our consideration of the City of Piedmont, Oklahoma's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Piedmont, Oklahoma's internal control over financial reporting and compliance.



February 19, 2014

**CITY OF PIEDMONT, OKLAHOMA**  
**Management's Discussion and Analysis**  
**As of and for the Year Ended June 30, 2013**

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As Management of the City of Piedmont, we offer readers this narrative overview and analysis of the financial activities of the City of Piedmont for the fiscal year ended June 30, 2013. We encourage readers to use this information in conjunction with the City's financial statements, which follow this section.

## **FINANCIAL HIGHLIGHTS**

- The City's total net position increased by \$338,485 and the assets of the City continued to exceed its liabilities at June 30, 2013, by \$10,786,828 (net position). Of this amount, \$1,008,757 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- At June 30, 2013, the City's governmental funds reported combined ending fund balances of \$2,474,718. Of that amount \$624,384 is available for spending at the government's discretion (unassigned fund balance) of the General Fund.
- At the end of fiscal year 2013, unassigned fund balance for the General Fund was 31% of General Fund total revenues.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

The financial statements presented herein include all of the activities of the City of Piedmont (the "City") and the Piedmont Municipal Authority (the "Authority"). Included in this report are government-wide statements for each of two categories of activities: governmental and business-type.

The government-wide financial statements present the complete financial picture of the City from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities and business-type activities separately and combined. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. These statements include all assets of the City (including infrastructure) as well as all liabilities (including long-term debt).

### **Reporting the City as a Whole - Statements of Net Position and Activities**

This discussion and analysis is intended to serve as an introduction to the City of Piedmont's basic financial statements. One of the most frequently asked questions about the City's finances is, "Has the City's overall financial condition improved, declined or remained steady over the past year?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

(Unaudited. See accompanying auditor's report.)

**CITY OF PIEDMONT, OKLAHOMA**  
**Management's Discussion and Analysis**  
**As of and for the Year Ended June 30, 2013**

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These two statements report the City's net position and changes in net position from the prior year. You can think of the City's net position – the difference between assets and liabilities – as one way to measure the City's financial condition. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving, deteriorating, or remaining steady. However, you must consider other non-financial factors, such as changes in the City's tax base, the condition of the City's roads, and the quality of services to assess the overall health of the City.

The Statement of Net Position and the Statement of Activities are divided into two types of activities:

- *Governmental activities* – Most of the City's basic services are reported here, including the police, fire, general administration, streets, and parks. Sales taxes, franchise fees, fines, and state grants finance most of these activities.
- *Business-type activities* – Activities where the City charges a fee to customers to help cover all or most of the cost of certain services it provides are reported here. The City's water, sewer, and sanitation utilities are reported as business-type activities.

**Reporting the City's Most Significant Funds - Fund Financial Statements**

The fund financial statements provide detailed information about the most significant funds – not the City as a whole. The City of Piedmont, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants and other money. All of the funds of the City of Piedmont can be divided into two categories: governmental funds and proprietary funds.

- *Governmental funds* – Most of the City's basic services are reported in governmental funds, which focus on near-term inflows and outflows of spendable resources, as well as spendable resources available at the end of the fiscal year. These funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available". The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic service it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The differences of results in the Governmental Fund financial statements to those in the Government-Wide financial statements are explained in a reconciliation following each Governmental Fund financial statement.
- *Proprietary funds* – When the City charges customers for the services it provides – whether to outside customers or to other units of the City – these services are generally reported in proprietary funds. Enterprise funds are one type of proprietary funds and are used to report the same functions presented as business-type activities in the governmental-wide financial statements. The City uses enterprise funds to account for its water, sewer and sanitation services. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

(Unaudited. See accompanying auditor's report.)



**CITY OF PIEDMONT, OKLAHOMA**  
**Management's Discussion and Analysis**  
**As of and for the Year Ended June 30, 2013**

## Notes to the Financial Statements

The notes provide additional information that is essential to gain understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found on pages 23-40 of this report.

## Other Information

In addition to the basic financial statements and accompanying notes, this report also presents a Budgetary Comparison Schedule for the General Fund and the Fire Dept Restricted Sales Tax Fund.

## A FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

### Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the primary government, assets exceeded liabilities by \$10,786,828 at the close of the most recent fiscal year.

TABLE 1  
NET POSITION (In Thousands)

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	2013	Restated 2012		2013	Restated 2012		2013	Restated 2012	
Current assets	\$ 2,700	\$ 2,782	-3%	\$ 204	\$ 195	5%	\$ 2,904	\$ 2,977	-2%
Capital assets, net	5,018	5,146	-2%	10,436	10,492	-1%	15,454	15,638	-1%
Other non-current assets	-	-	-	185	195	-5%	185	195	-5%
<b>Total assets</b>	<b>7,718</b>	<b>7,928</b>	<b>-3%</b>	<b>10,825</b>	<b>10,882</b>	<b>-1%</b>	<b>18,543</b>	<b>18,810</b>	<b>-1%</b>
Current liabilities	159	318	-50%	723	719	1%	882	1,037	-15%
Non-current liabilities	219	208	5%	6,655	7,116	-6%	6,874	7,324	-6%
<b>Total liabilities</b>	<b>378</b>	<b>526</b>	<b>-28%</b>	<b>7,378</b>	<b>7,835</b>	<b>-6%</b>	<b>7,756</b>	<b>8,361</b>	<b>-7%</b>
<b>Net position</b>									
Net Investment in capital assets	4,860	4,963	-2%	3,343	2,950	13%	8,203	7,913	4%
Restricted	1,549	1,839	-16%	26	26	-	1,575	1,865	-16%
Unrestricted	931	600	55%	78	71	10%	1,009	671	50%
<b>Total net position</b>	<b>\$ 7,340</b>	<b>\$ 7,402</b>	<b>-1%</b>	<b>\$ 3,447</b>	<b>\$ 3,047</b>	<b>13%</b>	<b>\$ 10,787</b>	<b>\$ 10,449</b>	<b>3%</b>

The largest portion of the City's net position reflects its net investment in capital assets used to acquire those assets that are still outstanding. This year, the net investment in capital assets amounted to approximately \$8.2 million. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The governmental activities had a decrease in current liabilities of \$159,000 mainly due to accounts payable in the prior year related to the construction of the police department building.

(Unaudited. See accompanying auditor's report.)



**CITY OF PIEDMONT, OKLAHOMA**  
**Management's Discussion and Analysis**  
**As of and for the Year Ended June 30, 2013**

**Changes in Net Position**

For the year ended June 30, 2013, net position of the primary government changed as follows:

A portion of the City's net position, approximately \$1.6 million, represents resources that are subject to internal and external restrictions on how they may be used. The remaining balance of unrestricted net position, \$1,008,757, may be used to meet the government's ongoing obligations to citizens and creditors. The City's business-type activities had \$77,461 of unrestricted net position.

**TABLE 2**  
**CHANGES IN NET POSITION (In Thousands)**

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	2013	Restated 2012		2013	Restated 2012		2013	Restated 2012	
<b>Revenues</b>									
Charges for service	\$ 439	\$ 390	13%	\$ 2,349	\$ 2,051	15%	\$ 2,788	\$ 2,441	14%
Operating grants and contributions	294	209	41%	-	-	-	294	209	41%
Capital grants and contributions	58	1,150	-95%	-	-	-	58	1,150	-95%
Taxes	1,981	2,060	-4%	-	-	-	1,981	2,060	-4%
Intergovernmental revenue	49	48	2%	-	-	-	49	48	2%
Investment income	1	1	-	-	-	-	1	1	-
Miscellaneous	204	92	122%	47	45	4%	251	137	83%
<b>Total revenues</b>	<b>3,526</b>	<b>3,950</b>	<b>-23%</b>	<b>2,396</b>	<b>2,096</b>	<b>14%</b>	<b>5,422</b>	<b>6,046</b>	<b>-10%</b>
<b>Expenses</b>									
General government	1,334	1,310	2%	-	-	-	1,334	1,310	2%
Public safety	1,427	1,312	9%	-	-	-	1,427	1,312	9%
Streets	265	490	-46%	-	-	-	265	490	-46%
Community development	200	-	100%	-	-	-	200	-	100%
Culture, parks and recreation	113	102	11%	-	-	-	113	102	11%
Interest on long-term debt	2	2	-	-	-	-	2	2	-
Water	-	-	-	1,070	1,065	0%	1,070	1,065	-
Wastewater	-	-	-	272	215	27%	272	215	27%
Sanitation	-	-	-	391	365	7%	391	365	7%
Governmental Interest	-	-	-	10	12	-17%	10	12	-17%
<b>Total expenses</b>	<b>3,341</b>	<b>3,216</b>	<b>4%</b>	<b>1,743</b>	<b>1,657</b>	<b>5%</b>	<b>5,084</b>	<b>4,873</b>	<b>4%</b>
Excess (deficiency) before transfers	(315)	734	-143%	653	439	49%	338	1,173	-71%
Transfers	253	710	-64%	(253)	(710)	64%	-	-	-
<b>Increase (decrease) in net position</b>	<b>\$ (62)</b>	<b>\$ 1,444</b>	<b>-104%</b>	<b>\$ 400</b>	<b>\$ (271)</b>	<b>248%</b>	<b>\$ 338</b>	<b>\$ 1,173</b>	<b>-71%</b>

The decrease in governmental capital grants and contributions is due to the City receiving a \$1,000,000 HUD grant for the new police station in the prior year. The decrease in Streets of 46% was related to debris removal related to the tornado in the prior year. The increase in Community Development of approximately \$200,000 or 100% is due to the start of sales tax rebate payments to a local grocery store in accordance with the current agreement.

The decrease governmental transfers and the increase in business-type transfers is due primarily due to a transfer in the prior year of \$320,723 to pay for a portion of the new police building.

(Unaudited. See accompanying auditor's report.)

**CITY OF PIEDMONT, OKLAHOMA**  
**Management's Discussion and Analysis**  
**As of and for the Year Ended June 30, 2013**

**Governmental Activities**

To aid in the understanding of the Statement of Activities some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenses, and Changes in Fund Balance. You will notice that expenses are listed in the first column with revenues from that particular program reported to the right. The result is a Net (Expense)/Revenue. The reason for this kind of format is to highlight the relative financial burden of each of the functions on the City's taxpayers. It also identifies how much each function draws from the general revenues or if it is self-financing through fees and grants or contributions. All other governmental revenues are reported as general. It is important to note all taxes are classified as general revenue even if restricted for a specific purpose.

**TABLE 3**  
**Net Revenue (Expense) of Governmental Activities**  
(In Thousands)

	Total Expense of Services		% Inc. (Dec.)	Net Revenue (Expense) of Services		% Inc. (Dec.)
	2013	Restated 2012		2013	Restated 2012	
General government	\$1,334	\$1,310	2%	(\$1,059)	(\$1,087)	3%
Public safety	1,427	1,312	9%	(1,004)	(11)	-9027%
Streets	265	490	-46%	(212)	(301)	30%
Community Development	200	-	100%	(200)	-	-100%
Culture, parks and recreation	113	102	11%	(72)	(65)	-11%
Interest on long-term debt	2	2	-	(2)	(2)	-
<b>Total</b>	<b>\$3,341</b>	<b>\$3,216</b>	<b>4%</b>	<b>(\$2,549)</b>	<b>(\$1,466)</b>	<b>-74%</b>

In the prior year the City received a HUD grant for \$1,000,000 for the police station. This resulted in an increase in net expense for the public safety activities in the current year.

**Business-type Activities**

**TABLE 4**  
**Net Revenue (Expense) of Business-Type Activities**  
(In Thousands)

	Total Expense of Services		% Inc. (Dec.)	Net Revenue (Expense) of Services		% Inc. (Dec.)
	2013	Restated 2012		2013	Restated 2012	
Water	\$ 1,070	\$ 1,065	-	\$ 338	\$ 179	89%
Wastewater	272	216	26%	(45)	(14)	-221%
Sanitation	391	365	7%	324	240	35%
Governmental Interest	10	12	-17%	(10)	(12)	17%
<b>Total</b>	<b>\$ 1,743</b>	<b>\$ 1,658</b>	<b>5%</b>	<b>\$ 607</b>	<b>\$ 393</b>	<b>54%</b>

(Unaudited. See accompanying auditor's report.)

**CITY OF PIEDMONT, OKLAHOMA**  
**Management's Discussion and Analysis**  
**As of and for the Year Ended June 30, 2013**

**A FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

As the City completed its 2013 fiscal year, the governmental funds reported a combined fund balance of approximately \$2.5 million, or a 4.2% increase from the prior year. The enterprise fund reported net position of approximately \$3.4 million, or a 13.1% increase from the prior year.

**Other fund highlights include:**

- For the year ended June 30, 2013, the General Fund's total fund balance increased by \$306,419, or 55.0%, while the Capital Improvement's total fund balance decreased by \$32,368 or 2.9%.
- The Piedmont Municipal Authority reported an increase in net position, after transfers, of \$400,203 for the year.

**General Fund Budgetary Highlights**

For the year ended June 30, 2013, the General Fund reported actual revenues under final estimates by \$147,124 or a 5.1% negative variance. General Fund actual expenditures were under final appropriations by \$453,543 or a 15.7% positive variance.

**CAPITAL ASSETS & DEBT ADMINISTRATION**

**Capital Assets**

At the end of June 30, 2013, the City had approximately \$15.4 million invested in capital assets including land, buildings, machinery and equipment, park facilities, water, sewer and stormwater systems, roads and bridges. This represents a net decrease of \$183,443 from last year.

TABLE 5  
**Primary Government Capital Assets**  
(In Thousands)  
(Net of accumulated depreciation)

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
Land	\$ 58	\$ 58	\$ 791	\$ 791	\$ 849	\$ 849
Buildings and Improvements	2,388	727	2	3	2,390	730
Machinery, furniture and equipment	867	901	74	92	941	993
Infrastructure	1,679	1,590	9,536	9,551	11,215	11,141
Intangible water rights	-	-	33	33	33	33
Construction in progress	25	1,870	-	22	25	1,892
<b>Totals</b>	<b>\$ 5,017</b>	<b>\$ 5,146</b>	<b>\$ 10,436</b>	<b>\$ 10,492</b>	<b>\$ 15,453</b>	<b>\$ 15,638</b>

Major capital asset additions include:

Washington Drainage Project (CIP)	\$184,658
Police Department Building (CIP)	\$45,047
Police Department Tahoes	\$45,049

(Unaudited. See accompanying auditor's report.)

**CITY OF PIEDMONT, OKLAHOMA**  
**Management's Discussion and Analysis**  
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**Long-Term Debt**

At year-end, the City had \$7,380,613 in long-term debt outstanding, which represents a \$429,927 decrease from the prior year.

**TABLE 6**  
**Primary Government Long-Term Debt**  
(In Thousands)

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>		<b>Total Percentage Change</b>
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>	<b>2012-2013</b>
Accrued absences	\$ 94	\$ 57	\$ 35	\$ 29	\$ 129	\$ 86	50%
Notes payable	130	143	6,923	7,308	7,053	7,451	-5%
Capital leases	29	39	170	235	199	274	-27%
<b>Totals</b>	<b>\$ 253</b>	<b>\$ 239</b>	<b>\$ 7,128</b>	<b>\$ 7,572</b>	<b>\$ 7,381</b>	<b>\$ 7,811</b>	<b>-6%</b>

**The Upcoming Year**

- The City is going to move forward with some needed road improvements.

**Contacting the City's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Clerk's Office at 314 Edmond Rd NW, Piedmont Oklahoma 73078 or phone at (405) 373-2621.

(Unaudited. See accompanying auditor's report.)

**CITY OF PIEDMONT, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
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**BASIC FINANCIAL STATEMENTS - GOVERNMENT-WIDE**

**CITY OF PIEDMONT, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
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**Statement of Net Position– June 30, 2013**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
<b>Current Assets:</b>			
Cash and cash equivalents	\$ 323,647	\$ 83,581	\$ 407,228
Restricted cash and equivalents	1,722,306	1	1,722,307
Receivables:			
Accounts receivable, net of allowance	-	245,786	245,786
Due from other governments	416,843	-	416,843
Court fine receivable, net	111,542	-	111,542
Internal Balances	125,728	(125,728)	-
Total current assets	<u>2,700,066</u>	<u>203,640</u>	<u>2,903,706</u>
<b>Noncurrent Assets:</b>			
Restricted cash and cash equivalents	-	184,617	184,617
Capital Assets:			
Land, improvements and construction in progress	83,376	823,971	907,347
Other capital assets, net of depreciation	4,934,241	9,612,415	14,546,656
Total noncurrent assets	<u>5,017,617</u>	<u>10,621,003</u>	<u>15,638,620</u>
Total assets	<u><u>7,717,683</u></u>	<u><u>10,824,643</u></u>	<u><u>18,542,326</u></u>
<b>LIABILITIES</b>			
<b>Current Liabilities:</b>			
Accounts payable and accrued expenses	112,492	44,207	156,699
Accrued interest	-	47,304	47,304
Due to other governmental agencies	2,157	-	2,157
Due to depositors	10,196	158,529	168,725
Long-term liabilities:			
Due within one year:			
Notes payable	14,774	420,565	435,339
Capital leases payable	9,949	48,789	58,738
Compensated absences	9,442	3,467	12,909
Total current liabilities	<u>159,010</u>	<u>722,861</u>	<u>881,871</u>
<b>Non-current Liabilities:</b>			
Due in more than one year:			
Notes payable	114,747	6,502,649	6,617,396
Capital leases payable	18,772	121,284	140,056
Compensated absences	84,975	31,200	116,175
Total noncurrent liabilities	<u>218,494</u>	<u>6,655,133</u>	<u>6,873,627</u>
Total liabilities	<u><u>377,504</u></u>	<u><u>7,377,994</u></u>	<u><u>7,755,498</u></u>
<b>NET POSITION</b>			
Net investment in capital assets	4,859,375	3,343,099	8,202,474
Restricted by:			
External groups and contracts	1,406,145	26,089	1,432,234
Enabling legislation	143,363	-	143,363
Unrestricted	931,296	77,461	1,008,757
Total net position	<u><u>\$ 7,340,179</u></u>	<u><u>\$ 3,446,649</u></u>	<u><u>\$ 10,786,828</u></u>

See accompanying notes to the financial statements.

**CITY OF PIEDMONT, OKLAHOMA**  
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**Statement of Activities – For the Year Ended June 30, 2013**

Functions/Programs	Program Revenue				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
<b>Primary government</b>							
Governmental Activities							
General Government	\$ 1,333,822	\$ 144,849	\$ 72,057	\$ 57,936	\$ (1,058,980)	\$ -	\$ (1,058,980)
Public Safety	1,426,748	292,999	129,225	-	(1,004,524)	-	(1,004,524)
Highways and Streets	264,685	-	52,792	-	(211,893)	-	(211,893)
Community Development	199,896	-	-	-	(199,896)	-	(199,896)
Culture and Recreation	113,656	1,391	40,373	-	(71,892)	-	(71,892)
Interest on Long-term debt	1,629	-	-	-	(1,629)	-	(1,629)
Total governmental activities	3,340,436	439,239	294,447	57,936	(2,548,814)	-	(2,548,814)
Business-type activities:							
Water	1,069,706	1,407,303	-	-	-	337,597	337,597
Sewer	272,254	227,277	-	-	-	(44,977)	(44,977)
Sanitation	390,901	714,460	-	-	-	323,659	323,659
Governmental Interest	9,727	-	-	-	-	(9,727)	(9,727)
Total business-type activities	1,742,488	2,349,040	-	-	-	606,552	606,552
Total primary government	\$ 5,082,924	\$ 2,788,279	\$ 294,447	\$ 57,936	\$ (2,548,814)	\$ 606,552	\$ (1,942,262)
<b>General revenues:</b>							
Taxes:							
Sales and use taxes					\$ 1,785,984	\$ -	\$ 1,785,984
Franchise taxes					194,661	-	194,661
Grants and contributions not restricted to specific programs					48,585	-	48,585
Unrestricted investment earnings					1,010	339	1,349
Miscellaneous					203,542	46,626	250,168
Transfers					253,314	(253,314)	-
Total general revenues and transfers					2,487,096	(206,349)	2,280,747
Change in net position					(61,718)	400,203	338,485
Net position - beginning (restated)					7,431,897	3,046,446	10,448,343
Net position - ending					\$ 7,340,179	\$ 3,446,649	\$ 10,786,828

See accompanying notes to the financial statements.



**CITY OF PIEDMONT, OKLAHOMA  
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**BASIC FINANCIAL STATEMENTS - GOVERNMENTAL FUNDS**

**CITY OF PIEDMONT, OKLAHOMA**  
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**Governmental Funds Balance Sheet – June 30, 2013**

	<u>General Fund</u>	<u>Capital Improvement</u>	<u>Fire Dept. Restricted Sales Tax Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 506,367	\$ 1,053,796	\$ 196,909	\$ 288,881	\$ 2,045,953
Due from other funds	132,399	-	-	-	132,399
Court fines receivable	111,542	-	-	-	111,542
Due from other governments	304,384	58,435	48,435	5,589	416,843
Total assets	<u>1,054,692</u>	<u>1,112,231</u>	<u>245,344</u>	<u>294,470</u>	<u>2,706,737</u>
<b>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable	75,841	-	4,351	19,940	100,132
Due to other funds	-	-	-	6,671	6,671
Deposits held for others	12,360	-	-	-	12,360
Other payables	2,157	-	-	-	2,157
Total liabilities	<u>90,358</u>	<u>-</u>	<u>4,351</u>	<u>26,611</u>	<u>121,320</u>
<b>Deferred inflows of resources:</b>					
Deferred revenue	<u>100,699</u>	<u>10,000</u>	<u>-</u>	<u>-</u>	<u>110,699</u>
<b>Fund balances:</b>					
Restricted for:					
Streets	-	-	-	112,184	112,184
Capital Projects	-	969,080	-	-	969,080
Fire	-	-	240,819	-	240,819
Economic Development	-	-	-	896	896
Municipal Court	83,166	-	-	-	83,166
Capital Projects and Debt related to water, wastewater, and roadways	143,363	-	-	-	143,363
Assigned to:					
Streets	-	-	-	154,779	154,779
Capital Projects	-	133,151	-	-	133,151
Fire	-	-	174	-	174
Municipal Court	12,722	-	-	-	12,722
Unassigned	624,384	-	-	-	624,384
Total fund balances	<u>863,635</u>	<u>1,102,231</u>	<u>240,993</u>	<u>267,859</u>	<u>2,474,718</u>
Total liabilities, deferred outflows and fund balances	<u>\$ 1,054,692</u>	<u>\$ 1,112,231</u>	<u>\$ 245,344</u>	<u>\$ 294,470</u>	<u>\$ 2,706,737</u>

See accompanying notes to the financial statements

**CITY OF PIEDMONT, OKLAHOMA**  
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**Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances – Year Ended June 30, 2013**

	<u>General Fund</u>	<u>Capital Improvement</u>	<u>Fire Dept Restricted Sales Tax Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>					
Taxes	\$ 1,359,835	\$ 313,778	\$ 334,503	\$ -	\$ 2,008,116
Fines and forfeitures	289,388	-	-	-	289,388
Licenses and permits	144,849	-	-	-	144,849
Intergovernmental	122,987	74,636	50,932	83,842	332,397
Charges for services	2,629	-	-	-	2,629
Investment earnings	289	470	89	162	1,010
Miscellaneous	99,008	107,476	14,380	47,003	267,867
Total revenues	<u>2,018,985</u>	<u>496,360</u>	<u>399,904</u>	<u>131,007</u>	<u>3,046,256</u>
<b>EXPENDITURES</b>					
Current:					
General government	746,151	25,000	-	199,896	971,047
Administrative	299,014	-	-	-	299,014
Police	810,045	-	-	-	810,045
Municipal court	86,311	-	-	-	86,311
Emergency management	408	-	-	-	408
Community development	205,254	-	-	-	205,254
Fire	-	-	343,409	-	343,409
Library	92,229	-	-	-	92,229
Streets	-	-	-	159,501	159,501
Parks	4,854	-	-	-	4,854
Debt Service:					
Principal	-	10,433	14,026	-	24,459
Interest and other charges	-	1,629	6,212	-	7,841
Capital Outlay	42,735	96,457	14,829	42,400	196,421
Total Expenditures	<u>2,287,001</u>	<u>133,519</u>	<u>378,476</u>	<u>401,797</u>	<u>3,200,793</u>
Excess (deficiency) of revenues over expenditures	<u>(268,016)</u>	<u>362,841</u>	<u>21,428</u>	<u>(270,790)</u>	<u>(154,537)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	760,080	-	-	140,792	900,852
Transfers out	(185,625)	(395,209)	-	(66,704)	(647,538)
Total other financing sources and uses	<u>574,435</u>	<u>(395,209)</u>	<u>-</u>	<u>74,088</u>	<u>253,314</u>
Net change in fund balances	306,419	(32,368)	21,428	(196,702)	96,777
Fund balances - beginning (restated)	557,216	1,134,599	219,565	464,561	2,375,941
Fund balances - ending	<u>\$ 863,635</u>	<u>\$ 1,102,231</u>	<u>\$ 240,993</u>	<u>\$ 267,859</u>	<u>\$ 2,474,718</u>

See accompanying notes to the financial statements

**CITY OF PIEDMONT, OKLAHOMA**  
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**Reconciliation of Governmental Fund and Government-Wide Financial Statements:**

**Fund Balance – Net Position Reconciliation:**

<b>Total fund balance, governmental funds</b>	<b>\$</b>	<b>2,474,718</b>
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$2,137,336		<u>5,017,617</u>
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Certain long-term assets are not available to pay for current fund liabilities and, therefore, are deferred in the funds:

Deferred revenue		<u>100,503</u>
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Certain long-term liabilities are not due and payable from current financial resources and, therefore, are not reported in the funds:

Capital leases payable		(28,721)
Notes payable		(129,521)
Accrued compensated absences		<u>(94,417)</u>

Net Position of Governmental Activities in the Statement of Net Position	<u>\$</u>	<u>7,340,179</u>
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**Changes in Fund Balances – Changes in Net Position Reconciliation:**

<b>Net change in fund balances - total governmental funds:</b>	<b>\$</b>	<b>98,777</b>
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets

Capital asset purchases capitalized		179,022
Capital asset disposals, net of accumulated depreciation		(8,149)
Depreciation expense		<u>(298,883)</u>
		<u>(128,010)</u>

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:

Changes in deferred revenue		<u>(19,270)</u>
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

Principal paid on debt		24,459
Change in accrued compensated absences		<u>(37,674)</u>
		<u>(13,215)</u>

Change in net position of governmental activities	<u>\$</u>	<u>(61,718)</u>
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See accompanying notes to the financial statements

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**BASIC FINANCIAL STATEMENTS - PROPRIETARY FUND**

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**Proprietary Fund Statement of Net Position -- June 30, 2013**

	<b>Piedmont Municipal Authority</b>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 83,581
Restricted cash and cash equivalents	26,089
Accounts receivable, net	245,786
Total current assets	<u>355,456</u>
Non-current assets:	
Restricted cash and cash equivalents	158,529
Capital assets:	
Land and improvements	823,971
Other capital assets, net of depreciation	9,612,415
Total non-current assets	<u>10,594,915</u>
Total assets	<u>10,950,371</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	44,207
Accrued interest payable	47,304
Due to other funds	125,728
Due to depositors	158,529
Compensated absences	3,467
Capital lease obligation	48,789
Notes payable	420,565
Total current liabilities	<u>848,589</u>
Non-current liabilities:	
Compensated absences	31,200
Capital lease obligation	121,284
Notes payable	6,502,649
Total non-current liabilities	<u>6,655,133</u>
Total liabilities	<u>7,503,722</u>
<b>NET POSITION</b>	
Net investment in capital assets	3,343,099
Restricted for debt service	26,089
Unrestricted	77,461
Total net position	<u>\$ 3,446,649</u>

See accompanying notes to the financial statements

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**Proprietary Fund Statement of Revenues, Expenses and Changes in Net Position – Year Ended June 30, 2013**

	<b><u>Piedmont Municipal Authority</u></b>
<b>REVENUES</b>	
Charges for services:	
Water charges	\$ 1,373,478
Sewer charges	221,814
Sanitation charges	697,287
Penalties	43,102
Miscellaneous	13,359
Total operating revenues	<u>2,349,040</u>
<b>OPERATING EXPENSES</b>	
Administrative	288,466
Public works	956,017
Depreciation	238,299
Total operating expenses	<u>1,482,782</u>
Operating income	<u>866,258</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
Interest and investment revenue	339
Miscellaneous revenue	46,626
Interest expense	(259,706)
Total non-operating revenue (expenses)	<u>(212,741)</u>
Income before transfers	653,517
Transfers in	432,880
Transfers out	(686,194)
Change in net position	400,203
Total net position - beginning (restated)	3,046,446
Total net position - ending	<u>\$ 3,446,649</u>

See accompanying notes to the financial statements



**CITY OF PIEDMONT, OKLAHOMA**  
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**Proprietary Fund Statement of Cash Flows – Year Ended June 30, 2013**

	<b>Piedmont Municipal Authority</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers	\$ 2,347,888
Payments to suppliers	(712,886)
Payments to employees	(536,719)
Receipt of customer deposits	18,639
Customer meter deposits refunded or applied	(15,551)
Receipts (payments) from other funds	26,899
Net Cash Provided by Operating Activities	<u>1,128,270</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Transfers from other funds	432,880
Transfers to other funds	(686,194)
Miscellaneous revenues	46,172
Net Cash Provided by (Used in) Noncapital Financing Activities	<u>(207,142)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Purchases of capital assets	(182,866)
Principal paid on capital debt	(449,002)
Interest and fiscal charges paid on capital debt	(265,353)
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(897,221)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest and dividends	338
Net Cash Provided by Investing Activities	<u>338</u>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>24,245</b>
<b>Balances - beginning of the year</b>	<b><u>243,954</u></b>
<b>Balances - end of the year</b>	<b><u>\$ 268,199</u></b>
<b>Reconciliation to Statement of Net Position:</b>	
Cash and cash equivalents	\$ 83,581
Current restricted cash and cash equivalents	26,089
Non-current restricted cash and cash equivalents	158,529
Total cash and cash equivalents	<u>\$ 268,199</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income	\$ 866,258
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	238,299
Change in assets and liabilities:	
Receivables	(1,606)
Due to other funds	26,899
Accounts payable and accrued liabilities	(10,527)
Meter deposit liability	3,088
Accrued compensated absences	5,859
Net Cash Provided by Operating Activities	<u>\$ 1,128,270</u>

See accompanying notes to the financial statements

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**FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS**

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**Footnotes to the Basic Financial Statements:**

**1. Financial Reporting Entity**

The City's financial reporting entity includes the primary government (City of Piedmont) and blended component units as noted below. This annual report includes all activities for which the City of Piedmont City Council is fiscally responsible.

**The City of Piedmont** – that operates the public safety, health and welfare, streets and highways, parks and recreation and administrative activities.

The City of Piedmont has a population of 5,921 located in central Oklahoma in Canadian County. The City is a Council/Manager form of government and operates under a charter that provides for three branches of government.

- Legislative – the City Council is a six-member governing body with the mayor elected by the citizens at large and five council members elected by each ward.
- Executive – the City Manager is the Chief Executive Officer and is appointed by the City Council.
- Judicial – the Municipal Judge is a practicing attorney appointed by the City Council.

The City provides typical municipal services such as a public safety, health and welfare, street and alley maintenance, parks and recreation.

**Component Units:**

**Piedmont Municipal Authority (PMA)** – public trust created under 60 O.S. 162 with City as beneficiary that operates the water, sewer and sanitation services of the City. The component unit (Authority) has the City Council as their governing body (trustees) and the City is able to impose its will on the Authority through required approval of all debt obligations issued by these entities. The Authority is reported as a blended component unit.

**Piedmont Economic Authority** - Created August 25, 1998, to provide industrial, cultural and educational facilities within its territorial boundaries. The Trustees are confirmed by the governing body. Any issuances of debt would require a two-thirds approval of the City Council. The only financial activity in the PEA is related to conduit debt outstanding for the Piedmont School District.

**Piedmont Library Authority** - Created September 19, 2001, to provide services and facilities for cultural, educational, and recreational purposes. The Trustees are appointed by the City Council. Any issuances of debt would require a two thirds approval of the City Council. The PLA is currently inactive.

**Piedmont Special Projects Authority** - Created January 28, 2008, to furnish and supply services and facilities for industrial, economic development, cultural, educational and recreational purposes within its territorial boundaries. The Trustees are the governing body of the City of Piedmont. The PSPA is currently being used to remit payment of sales tax to Williams Grocery Inc. The Authority is reported as a blended component unit.

## **2. Basis of Presentation and Accounting**

### *Government-Wide Financial Statements:*

The statement of net position and activities are reported on the accrual basis of accounting and economic resource focus. Under the economic resource focus, all assets and liabilities, including current and non-current are reported. Under the accrual basis of accounting, revenues are recognized when earned and expenses (including depreciation and amortization) are recorded when the liability is incurred or economic asset used.

Program revenues within the statement of activities that are derived directly from each activity or from parties outside the City's taxpayers are reported as program revenues. The City has the following program revenues in each activity:

- **General Government:** Inspection fees, licenses and permit revenue, operating and capital grants
- **Public Safety:** Fine revenue, donation revenue, on-behalf pension payments and operating and capital grants
- **Highways and Streets:** Commercial vehicle and gasoline excise tax shared by the State, operating and capital grants
- **Culture and Recreation:** Library fines, and library donations, operating and capital grants

All other governmental revenues are reported as general. All taxes are classified as general revenue even if restricted for a specific purpose.

### *Governmental Funds:*

The City's governmental funds include:

#### **Major Funds:**

**General Fund** – accounts for all activities not accounted for in other special-purpose funds

#### **Special Revenue Fund:**

- **Fire Restricted Sales Tax Fund** – accounts for revenues from the voter restricted sales tax for the fire department

#### **Capital Project Fund:**

- **Capital Improvement Fund** - accounts for construction and acquisition of capital facilities

#### **Nonmajor Funds:**

#### **Special Revenue Funds:**

- **Street and Alley Fund** – accounts for revenues from gasoline and vehicle taxes restricted for street repairs and maintenance
- **Piedmont Special Project Authority** – accounts for sales tax remitted to Williams Grocery Inc.

#### **Capital Project Fund:**

- **Comprehensive Plan Fund** - accounts for HUD grant activity

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The governmental funds are reported on a modified accrual basis of accounting and current financial resources measurement focus. Revenues are recorded on the modified accrual basis when earned and collected within 60 days of period end.

The reconciliation of the governmental funds financial statements to the governmental activities presentation in the government-wide financial statements is the result of the use of the economic resources measurement focus and accrual basis of accounting at the government-wide level.

*Proprietary Funds:*

The City's proprietary fund includes:

Major Enterprise Fund:

- Piedmont Municipal Authority – accounts for the operation of the water, wastewater, and sanitation activities.

The proprietary fund is reported on the accrual basis of accounting and economic resources measurement focus.

For purposes of the statement of revenues, expenses and changes in net position, operating revenues and expenses are considered those whose cash flows are related to operating activities, while revenues and expenses related to financing, capital and investing activities are reported as non-operating or transfers and contributions.

**New Accounting Pronouncements**

The City implemented the following accounting standards during fiscal year ended June 30, 2013:

*Governmental Accounting Standards Board Statement No. 60 – Accounting and Financial Reporting for Service Concession Arrangements* – This had no impact on the city's financial report.

*Governmental Accounting Standards Board Statement No. 61 – The Financial Reporting Entity: Omnibus* – This had no impact on the city's financial report.

*Governmental Accounting Standards Board Statement No. 62 – Codification of Accounting and Financial*

*Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* – A few sentences were removed from "Note 2 – Proprietary Funds" note disclosure to eliminate references to FASB pronouncements and APB opinions issued on or before November 30, 1989.

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*Governmental Accounting Standards Board Statement No. 63 – Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* – The only change required from the implementation of this statement are changing the Statement of Net Assets to a Statement of Net Position by creating two new financial statement elements.

*Governmental Accounting Standards Board Statement No. 65 – Items Previously Reported as Assets and Liabilities* – This was early implemented, and required the reporting of deferred inflows and deferred Outflows, where applicable.

### **3. Cash, Cash Equivalents, and Investments**

For the purposes of the statements of net position, balance sheets, and statement of cash flows, cash and cash equivalents includes all demand and savings accounts, certificates of deposit, and short-term investments with an original maturity of three-months or less. Trust account investments in open-ended mutual fund shares are also considered cash equivalents for reporting purposes.

At June 30, 2013, the reporting entity held the following deposits and investments:

<u>Type</u>	<u>Credit Rating</u>	<u>Carrying Value</u>
<b>Deposits:</b>		
Demand deposits		\$ 2,314,152
<b>Total deposits</b>		<u>\$ 2,314,152</u>
<b>Reconciliation to Statement of Net Position:</b>		
Cash and cash equivalents		\$ 407,228
Restricted cash and cash equivalents		1,722,307
Non-current restricted cash and cash equivalents		184,617
		<u>\$ 2,314,152</u>

*Custodial Credit Risk* – Exposure to custodial credit risk related to deposits exists when the City holds deposits that are uninsured and uncollateralized; collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the City's name; or collateralized without a written or approved collateral agreement. Exposure to custodial credit risk related to investments exists when the City holds investments that are uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the City's name.

The City's policy as it relates to custodial credit risk is to secure its uninsured deposits with collateral, valued at no more than market value, at least at a level of 100% of the uninsured deposits and accrued interest thereon. At June 30, 2013, the City was not exposed to custodial credit as defined above.

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*Investment Interest Rate Risk* – the City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The City was not exposed to investment interest rate risk.

*Investment Credit Risk* – the city has no investment policy that limits its investment choices other than the limitation of state law as follows:

- a. Direct obligations of the U. S. Government, its agencies and instrumentalities to which the full faith and credit of the U. S. Government is pledged.
- b. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.
- c. With certain limitation, negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations.
- d. County, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district.
- e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.
- f. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs a., b., c., and d.

The City was not exposed to investment credit rate risk.

*Concentration of Investment Credit Risk* - the City places no limit on the amount it may invest in any one issuer.

The City was not exposed to concentration of credit risk as defined above.



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*Restricted Cash and Investments* - The amounts reported as restricted assets of the statement of net position are comprised of amounts held by the Municipal Authority for utility deposits (refunded upon termination of service or applied to final bill), amounts held by the trustee bank for debt retirement and amounts held for utility deposits. Restricted assets for governmental activities are comprised of municipal court funds, Capital Improvement Fund cash, Fire Department Fund cash and Street and Alley Fund cash. The restricted assets as of June 30, 2013 are as follows:

	<u>Current Cash and Cash Equivalents</u>		<u>Current Cash and Cash Equivalents</u>	<u>Noncurrent Cash and Cash Equivalents</u>
<b>Governmental Activities:</b>		<b>Business-Type Activities and Proprietary Funds:</b>		
Capital Improvement Fund	\$ 1,053,796	Utility deposits	\$ -	\$ 158,529
Street and Alley Fund	287,985	Trustee Accounts:		
Municipal Court	183,616	Sinking Account	1	
Fire Department	196,909	Debt Service Account		26,089
Total Governmental Activities	<u>\$ 1,722,306</u>	Total	<u>\$ 1</u>	<u>\$ 184,618</u>

#### **4. Capital Assets and Depreciation**

*Capital Assets:*

Capital assets consist of land, land improvement, construction in progress, buildings and building improvements, machinery and equipment, and infrastructure. Capital assets are reported at actual or estimated historical cost. Donated capital assets are recorded at their fair value at the date of donation.

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For the year ended June 30, 2013, capital assets balances changed as follows:

	Balance at July 1, 2012	Additions	Disposals	Balance at June 30, 2013
<b>Governmental activities:</b>				
Non-depreciable:				
Land	\$ 58,273	\$ -	\$ -	\$ 58,273
Construction-in-progress	1,869,527	54,347	(1,898,771)	25,103
Total non-depreciable assets at historical cost	<u>1,927,800</u>	<u>54,347</u>	<u>(1,898,771)</u>	<u>83,376</u>
Depreciable:				
Buildings	1,173,655	1,734,820	-	2,908,475
Improvements	44,075	-	-	44,075
Machinery and equipment	2,159,894	124,675	(74,183)	2,210,386
Infrastructure	1,977,539	163,951	-	2,141,490
Total depreciable assets at historical cost	<u>5,355,163</u>	<u>2,023,446</u>	<u>(74,183)</u>	<u>7,304,426</u>
Less accumulated depreciation				
Buildings	(471,135)	(70,817)	-	(541,952)
Improvements	(20,018)	(2,204)	-	(22,222)
Machinery and equipment	(1,258,837)	(150,234)	66,034	(1,343,037)
Infrastructure	(387,347)	(75,628)	-	(462,975)
Total accumulated depreciation	<u>(2,137,335)</u>	<u>(298,883)</u>	<u>66,034</u>	<u>(2,370,185)</u>
Net depreciable assets	<u>3,217,828</u>	<u>1,724,563</u>	<u>(8,149)</u>	<u>4,934,241</u>
Governmental activities capital assets, net	<u>5,145,628</u>	<u>1,778,910</u>	<u>(1,906,920)</u>	<u>5,017,617</u>
<b>Business-type activities</b>				
Non-depreciable:				
Land	790,545	-	-	790,545
Construction-in-progress	21,867	184,659	(206,526)	-
Water Rights	33,426	-	-	33,426
Total non-depreciable assets at historical cost	<u>845,838</u>	<u>184,659</u>	<u>(206,526)</u>	<u>823,971</u>
Depreciable:				
Buildings	50,440	-	-	50,440
Machinery and equipment	433,807	1,008	(13,796)	421,019
Infrastructure	11,645,775	203,726	-	11,849,501
Totals depreciable assets at historical cost	<u>12,130,022</u>	<u>204,734</u>	<u>(13,796)</u>	<u>12,320,960</u>
Less accumulated depreciation				
Buildings	(47,539)	(544)	-	(48,083)
Machinery and equipment	(341,613)	(19,342)	13,796	(347,159)
Infrastructure	(2,094,890)	(218,413)	-	(2,313,303)
Total accumulated depreciation	<u>(2,484,042)</u>	<u>(238,299)</u>	<u>13,796</u>	<u>(2,708,545)</u>
Net depreciable assets	<u>9,645,980</u>	<u>(33,565)</u>	<u>-</u>	<u>9,612,415</u>
Business-type capital assets, net	<u>\$ 10,491,818</u>	<u>\$ 151,094</u>	<u>\$ (206,526)</u>	<u>\$ 10,436,386</u>

**Depreciation:**

Depreciable capital assets are depreciated on a straight-line basis over their estimated useful lives. A capitalization threshold of \$1,000 is used to report capital assets. The range of estimated useful lives by type of asset is as follows: Buildings 50 years, Improvements other than buildings 20-30 years, Machinery, furniture and equipment 3-24 years, Utility property and improvements and infrastructure 15-50 years.

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Depreciation of capital assets is included in total expenses and is charged or allocated to the activities primarily benefiting from the use of the specific asset. Depreciation expense has been allocated as follows:

**Governmental Activities:**

General government	\$ 26,212
Public safety	150,603
Highways and streets	105,184
Culture and recreation	16,884
<b>Total depreciation</b>	<b>\$ 298,883</b>

**Business-Type Activities:**

Water	\$ 167,624
Sewer	70,675
<b>Total depreciation</b>	<b>\$ 238,299</b>

**5. Long-Term Debt and Debt Service Requirements**

For the year ended June 30, 2013, the reporting entity's long-term debt changed as follows:

<u>Type of Debt</u>	<u>Balance July 1, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2013</u>	<u>Amounts Due Within One Year</u>
<b>Governmental Activities:</b>					
Note Payable	\$ 143,546	\$ -	\$ 14,025	\$ 129,521	\$ 14,774
Capital Leases	39,154	-	10,433	28,721	9,949
Accrued Compensated Absences	56,743	37,674	-	94,417	9,442
<b>Total Governmental Long-Term Debt</b>	<b>\$ 239,443</b>	<b>\$ 37,674</b>	<b>\$ 24,458</b>	<b>\$ 252,659</b>	<b>\$ 34,165</b>
<b>Business-Type Activities:</b>					
Note Payable	\$ 7,307,764	\$ -	\$ 384,550	\$ 6,923,214	\$ 420,565
Capital Leases	234,525	-	64,452	170,073	48,789
Accrued Compensated Absences	28,808	5,859	-	34,667	3,467
<b>Total BTA Long-Term Debt</b>	<b>\$ 7,571,097</b>	<b>\$ 5,859</b>	<b>\$ 449,002</b>	<b>\$ 7,127,954</b>	<b>\$ 472,821</b>

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*Governmental activities long-term debt:*

Notes Payable:

161,889 lease with Farmers and Merchant Bank for the purchase of a 2010 International Fire truck, issued December 2010 with an interest rate of 4.50% and maturing December 2020.

	<u>129,521</u>
Current portion	\$ 14,774
Non-current portion	<u>114,747</u>
Total	<u>\$ 129,521</u>

Capital Lease Obligations:

\$73,984 lease with Farmers and Merchant Bank for the purchase of a backhoe, issued March 2010 with an interest rate of 4.75% and maturing April 2016.

	<u>28,721</u>
Current portion	\$ 9,949
Non-current portion	<u>18,772</u>
Total	<u>\$ 28,721</u>

Accrued Compensated Absences:

Current portion	\$ 9,442
Non-current portion	<u>84,975</u>
Total	<u>\$ 94,417</u>

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*Business-type activities long-term debt:*

Notes Payable:

Community Center note payable, original issue amount of \$1,718,765 dated October 1, 2003, issued by the Piedmont Municipal Authority, interest rate 4% with a final maturity of September 1, 2023.	\$ 1,046,469
OWRB Drinking Water SRF note payable, original issue amount of \$4,670,000 dated September 1, 2007, issued by the Piedmont Municipal Authority, interest rate 3.55%, with a final maturity of March 2029.	3,605,917
OWRB Clean Water SRF note payable, original issue amount of \$2,655,000 dated September 1, 2007, issued by the Piedmont Municipal Authority, interest rate 2.68%, with a final maturity to be determined when entire balance of note is drawn. Amount left to draw is \$99,230.	1,445,275
Sewer project note payable, original issue amount of \$900,000 dated September 2010, issued by the Piedmont Municipal Authority, interest rate 4.50%, with a final maturity to be October 2020.	825,553
Total Notes Payable	<u>\$ 6,923,214</u>
Current portion	\$ 420,565
Non-current portion	6,502,649
Total	<u>\$ 6,923,214</u>

Capital Lease Obligations:

\$231,380 lease with F&M Bank for the purchase of a Fire Truck, issued March 2004 with an interest rate of 4.35% and maturing February 2014.	\$ 11,077
\$59,000 lease with F&M Bank for the purchase of a Fire Dept. Brush Truck, issued January 2004 with an interest rate of 4.5% and maturing December 2014.	8,962
\$295,000 lease with F&M Bank for the purchase of a Pierce Fire Truck issued December 2007 with an interest rate of 5.0% and maturing December 2017.	150,034
Total Capital Lease Obligations	<u>\$ 170,073</u>
Current portion	\$ 48,789
Non-current portion	121,284
Total	<u>\$ 170,073</u>

Accrued Compensated Absences:

Current portion	\$ 3,467
Non-current portion	31,200
Total	<u>\$ 34,667</u>

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*Long-term debt service requirements to maturity:*

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>			
	<u>Capital Lease Obligations</u>		<u>Notes Payable</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2014	9,949	1,185	14,774	5,464
2015	10,432	700	15,453	4,785
2016	8,340	199	16,163	4,075
2017	-	-	16,905	3,332
2018	-	-	17,682	2,556
2019-2022	-	-	48,544	2,750
<b>Totals</b>	<b>\$ 28,721</b>	<b>\$ 2,084</b>	<b>\$ 129,521</b>	<b>\$ 22,962</b>

<u>Year Ending June 30,</u>	<u>Business-Type Activities</u>			
	<u>Capital Lease Obligations</u>		<u>Notes Payable</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2014	48,789	7,443	420,565	234,666
2015	34,206	5,333	436,551	219,014
2016	33,914	3,633	452,752	203,140
2017	35,649	1,898	470,401	185,860
2018	17,515	271	488,331	168,294
2019-2023	-	-	2,334,195	577,243
2024-2028	-	-	1,778,817	240,163
2029-2031	-	-	541,604	16,230
<b>Totals</b>	<b>\$ 170,073</b>	<b>\$ 18,578</b>	<b>\$ 6,923,216</b>	<b>\$ 1,844,610</b>

*Piedmont Special Projects Authority Promissory Note*

The Piedmont Special Projects Authority entered into a promissory note agreement with Williams Grocery Inc. with payments beginning July 1, 2012. On July 1, 2012 the PSPA paid a one- time payment to Williams Grocery Inc. of \$59,104. Monthly payments equal to 3 cents of each \$1 of gross sales from the store operations will be due at the end of each month through June 30, 2027. The Piedmont Special Projects Authority paid Williams Grocery Inc. \$199,896 during this fiscal year ending June 30, 2013.

*Pledge of Future Revenues:*

**Sales Tax and Utility Net Revenues Pledge** – The City has pledged future sales tax and net water and sewer revenues to repay \$4,670,000 of the OWRB 2007 Series Drinking Water SRF Promissory Note and the 2009 Series Clean Water SRF Promissory Note. Proceeds from the notes provided financing for utility system capital assets. The notes are payable from pledged sales tax revenues and net utility revenues and are payable through 2031. The total principal and interest payable for the remainder of the life of these notes is \$6,523,801. Pledged sales taxes received in the current year were \$1,338,010 and net utility revenues were \$394,250. Debt service payments of \$403,219 for the current fiscal year were 23% of both pledged sales taxes and net utility revenues of \$1,732,260.

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**6. Net Position and Fund Balances**

Net position is displayed in three components:

- a. *Net investment in capital assets* - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- b. *Restricted net position* - Consists of net position with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or 2) law through constitutional provisions or enabling legislation.

The City had \$1,575,597 Restricted net position, of which \$143,363 is restricted by enabling legislation.

- c. *Unrestricted net position* - All other net position balances that does not meet the definition of "restricted" or "net investment in capital assets."

It is the City's policy to first use restricted net position prior to the use of unrestricted net position when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

*Prior Period Adjustments:*

	CIF	PMA	Government-Wide	
			Governmental Activities	Business-type Activities
Beginning net position/fund balance, as previously reported	\$ 1,101,549	\$ 3,195,884	\$ 7,368,847	\$ 3,195,884
Removal of long-term outstanding cash item	33,050		33,050	
Removal of unamortized debt issuance costs due to change in basis of accounting	-	(149,438)		(149,438)
Beginning net position/fund balance, restated	<u>\$ 1,134,599</u>	<u>\$ 3,046,446</u>	<u>\$ 7,401,897</u>	<u>\$ 3,046,446</u>

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*Fund Statements:*

Governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned and unassigned. These classifications are defined as:

- a. Nonspendable – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- b. Restricted – consists of fund balance with constraints placed on the use of resources either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (2) laws through constitutional provisions or enabling legislation.
- c. Committed – includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the city's highest level of decision-making authority. The City's highest level of decision-making authority is made by ordinance.
- d. Assigned – includes amounts that are constrained by the city's intent to be used for specific purposes but are neither restricted nor committed. Assignments of fund balance may be made by city council action or management decision when the city council has delegated that authority. Assignments for transfers and interest income for governmental funds are made through the budgetary process.
- e. Unassigned – represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes within the general fund.

It is the City's policy to first use restricted fund balance prior to the use of the unrestricted fund balance when an expense is incurred for purposes for which both restricted and unrestricted fund balance are available. The City's policy for the use of unrestricted fund balance amounts require that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.



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**7. Internal and Interfund Balances and Transfers**

The City's policy is to eliminate interfund transfers and balances in the statements of activities and net position to avoid the grossing up of balances. Only the residual balances transferred between governmental and business-type activities are reported as internal transfers and internal balances and then offset in the total column in the government-wide statements. Interfund transfers and balances between funds are not eliminated in the fund financial statements.

*Transfers:*

Internal transfers between funds and activities for the year ended June 30, 2013 were as follows:

<u>Transfer from</u>	<u>Transfer to</u>	<u>Amount</u>	<u>Purpose of Transfer</u>
PMA	General Fund	\$ 686,194	Transfer of trash
General Fund	PSPA	140,792	Sales tax transfer
General Fund	PMA	44,833	Operations
Street and Alley	PMA	45,979	Transfer of assets
Street and Alley	General Fund	20,725	Sales tax receivable transfer
Capital Improvement Fund	General Fund	53,141	Capital expenditures budgeted
Capital Improvement Fund	PMA	342,068	Capital expenditures budgeted
		<u>\$ 1,333,732</u>	

**Reconciliation to Fund Financial Statements and Statement of Activities:**

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net Transfers</u>
Governmental Funds	\$ 900,852	\$ (647,538)	\$ 253,314
Enterprise Funds	432,880	(686,194)	(253,314)
Total	<u>\$ 1,333,732</u>	<u>\$ (1,333,732)</u>	<u>\$ -</u>

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**Balances:**

Interfund receivable and payables at June 30, 2013 were as follows:

<u>Due From</u>	<u>Due To</u>	<u>Amount</u>	<u>Nature of Balance</u>
PWA	General Fund	\$ 117,867	Trash revenue
PWA	General Fund	7,861	Police department grant
Street and Alley Fund	General Fund	6,671	Beverage tax
		<u>\$ 132,399</u>	

**Reconciliation to fund financial statements and Statement of Net Position:**

	<u>Due From</u>	<u>Due To</u>	<u>Net Balances</u>
Governmental Funds	\$ 132,399	\$ (6,671)	\$ 125,728
Enterprise Funds	-	(125,728)	(125,728)
Total	<u>\$ 132,399</u>	<u>\$ (132,399)</u>	<u>\$ -</u>

## 8. Sales Tax Revenues

The City levies a five cent sales tax on taxable sales within the city limits in accordance with Ordinance No. 297. The City records three cents in the General Fund for general municipal operations; one cent in the Capital Improvement fund for capital costs and one cent to the Fire Department Restricted Sales Tax Fund for fire operating and capital expenses.

## 9. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employee health and life; and natural disasters. The City manages these various risks of loss as follows:

- General Liability and Physical Property – Covered through participation in Oklahoma Municipal Assurance Group risk entity pool, with a transfer of risk to the pool
- Workers' Compensation – Workers' compensation is covered through purchased commercial insurance with Compsource
- Employee's Group Medical – Covered through participation in commercial insurance with Blue Cross and Blue Shield

Management believes such insurance coverage is sufficient to preclude any significant uninsured losses to the City. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

## **10. Contingencies**

### *Litigation:*

The City is a defendant in a lawsuit filed on July 31, 2013 by a former police officer alleging wrongful termination. The litigation is in its early stages and no prediction of the outcome can be made at this time.

### *Federal and State Award Programs:*

The City of Piedmont participates in various federal or state grant/loan programs from year to year. In 2013, the City's involvement in federal and state award programs was not significant. The grant/loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. The City has not been notified of any noncompliance with federal or state award requirements.

## **11. Pension Plan Participation**

The City of Piedmont participates in three pension or retirement plans:

- Oklahoma Firefighter's Pension and Retirement System (OFPRS) – a statewide cost-sharing plan
- Oklahoma Police Pension and Retirement System (OPPRS) – a statewide cost-sharing plan
- Oklahoma Municipal Retirement System Master Defined Contribution Plan and Trust (OMRF-DCP) – an agent multi-employer defined contribution pension plan
- Oklahoma Municipal Retirement System City Manager Retirement Plan and Trust (OMRF-CMO) – an agent multi-employer defined contribution plan

### *OFPRS:*

The City of Piedmont, as the employer, participates in a statewide cost-sharing multiple employer defined benefit pension plan through the Oklahoma Firefighter's Pension and Retirement System (OFPRS) as a result of the employment of volunteer firefighters. The OFPRS defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Pursuant to the requirements of Title 11, section 22-102, the City must participate in the plan if they employ fulltime or volunteer firefighters. The City's annual required contribution was \$17,543 for the OFPRS plan and was equal to the City's actual contribution for the fiscal year 2013. The state made on-behalf payments of \$40,484 (or 30.0% of covered payroll) for the fiscal year which is reported as intergovernmental revenue and fire expense.

The OFPRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to:

### **OFPRS**

4545 N. Lincoln Blvd., Suite 265  
Oklahoma City, OK 73105-3414

### *OPPRS:*

Pursuant to the requirements of Title 11, section 50-102, the City of Piedmont participates in the statewide cost-sharing multi-employer defined benefit plan administered by the Oklahoma Police Pension

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and Retirement System (OPPRS). The paid police officer contributes 8% to the plan. The City is required by state law to contribute 13% per year per paid police officer to the statewide plan. The plan is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary.

The OPPRS issues a publicly available report that includes financial statements, which can be obtained from the Oklahoma Police Pension and Retirement System, 1001 N.W. 63<sup>rd</sup> Street, Oklahoma City, OK, 73116-7335.

For 2013, the City's annual required contribution was \$40,705 for the OPPRS plan and was equal to the City's actual contribution. The state made on-behalf payments of \$36,706 (or 11.8% of covered payroll) for the fiscal year which is reported as intergovernmental revenue and police expense.

*OMRF Defined Contribution Plan:*

The City contributes to the Employee Retirement System of Piedmont, Oklahoma in the form of The Oklahoma Municipal Retirement System Master Contribution Plan and Trust, an agent multiple employer - defined contribution plan, for all eligible employees except for those covered by the Police and Firefighter Pension Systems. Administration of the City's individual plan rests with the City Council. The overall operations of OMRF are supervised by a nine-member Council of Trustees elected by the participating municipalities. Bank One Trust Company of Oklahoma City acts as administrator and securities custodian.

For the year ended June 30, 2013, the total contributions were 5.75 percent of covered payroll, of which 3.50 percent and 2.25 were contributed by the employer and employee respectively. For the year ended June 30, 2013, contributions to the plan amounted to \$28,312 which was equal to the required contribution.

*OMRF CMO Plan:*

Effective July 1, 2001, the City has also provided a defined contribution plan and trust known as the City of Piedmont City Manager Retirement Plan and Trust (CMO Plan). The plan is administered by JP Morgan Chase Bank of Oklahoma City, Oklahoma. According to state law, the authority for establishing or amending the plan's provisions and contribution requirements rests with the city council. The plan is available only to the City Manager. The employee does not contribute to the plan and the employer makes variable contributions to the fund.

For the year ended June 30, 2013, the employer contribution rate is variable. Contributions to the plan for the year ended June 30, 2013 were \$4,680 on a covered payroll of \$78,000.

OMRF issues separate plan financial statements which may be obtained by contacting the Oklahoma Municipal Retirement Fund, 525 Central Park Drive, Suite 320, Oklahoma City, Oklahoma, 73105.

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*Summary of Contributions:*

Fiscal	Oklahoma Police <u>Pension and Retirement System</u>		Oklahoma Firefighter's <u>Pension and Retirement System</u>		Oklahoma Municipal Retirement <u>Fund</u>	
	<u>Required Contribution</u>	<u>Percentage Contributed</u>	<u>Required Contribution</u>	<u>Percentage Contributed</u>	<u>Required Contribution</u>	<u>Percentage Contributed</u>
2011	40,134	100%	9,051	100%	26,121	100%
2012	40,314	100%	16,143	100%	23,161	100%
2013	40,705	100%	17,543	100%	28,312	100%

Oklahoma Municipal Retirement <u>Fund – (CMO Plan)</u>		
Fiscal	<u>Required Contribution</u>	<u>Percentage Contributed</u>
2011	2,216	100%
2012	6,673	100%
2013	4,680	100%

## 12. Use of Estimates

Certain estimates are made in the preparation of the financial statements, such as estimated lives for capital assets depreciation. Estimates are based on management's best judgments and may vary from actual results.

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**REQUIRED SUPPLEMENTARY INFORMATION**

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**Budgetary Comparison Schedule (Budgetary Basis) – General Fund – Year Ended June 30, 2013**

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Beginning Budgetary Fund Balance:</b>	\$ 557,216	\$ 557,216	\$ 557,216	\$ -
<b>Resources (Inflows):</b>				
Taxes	1,383,700	1,417,141	1,359,835	(57,306)
Intergovernmental	63,000	111,570	86,261	(25,289)
Charges for services	54,450	54,450	2,629	(51,821)
Fines and Forfeitures	200,300	258,324	289,388	31,064
Licenses and Permits	78,000	99,050	144,849	45,799
Miscellaneous	154,895	203,910	99,008	(104,902)
Interest	400	400	289	(111)
Transfers in	724,618	744,618	760,060	15,442
<b>Total Resources (Inflows)</b>	<u>2,659,363</u>	<u>2,889,463</u>	<u>2,742,339</u>	<u>(147,124)</u>
<b>Amounts available for appropriation</b>	<u>3,216,579</u>	<u>3,446,679</u>	<u>3,299,555</u>	<u>(147,124)</u>
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Charges to Appropriations (Outflows):</b>				
General Government	880,111	954,311	754,798	199,513
Administration	264,834	325,834	319,948	5,886
Community Development	217,541	223,041	205,254	17,787
Police	634,876	673,876	786,493	87,383
Municipal Court	66,895	92,395	86,311	6,084
Emergency Management	4,800	4,800	408	4,392
Parks and Recreation	4,000	5,500	4,854	646
Library	84,885	108,285	92,229	16,056
Transfers out	301,421	301,421	185,625	115,796
<b>Total Charges to Appropriations</b>	<u>2,659,363</u>	<u>2,889,463</u>	<u>2,435,920</u>	<u>453,543</u>
<b>Ending Budgetary Fund Balance</b>	<u>\$ 557,216</u>	<u>\$ 557,216</u>	<u>\$ 863,635</u>	<u>\$ 306,419</u>

See accompanying notes to budgetary comparison schedules.

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**Budgetary Comparison Schedule (Budgetary Basis) – Fire Department Restricted Sales Tax Fund**  
**– Year Ended June 30, 2013**

	<b>SPECIAL REVENUE - FIRE FUND</b>			
	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Beginning Budgetary Fund Balance:</b>	\$ 219,565	\$ 219,565	\$ 219,565	\$ -
<b>Revenues:</b>				
Taxes	370,800	370,800	334,503	(36,297)
Intergovernmental	4,200	10,400	50,932	40,532
Investment income	-	82	89	7
Miscellaneous	5,000	14,300	14,380	80
<b>Total Resources (Inflows)</b>	<u>380,000</u>	<u>395,582</u>	<u>399,904</u>	<u>4,322</u>
<b>Amounts available for appropriation</b>	<u>599,565</u>	<u>615,147</u>	<u>619,469</u>	<u>4,322</u>
<b>Charges to Appropriations (Outflows):</b>				
Fire	<u>380,000</u>	<u>395,582</u>	<u>378,476</u>	<u>17,106</u>
<b>Total Charges to Appropriations</b>	<u>380,000</u>	<u>395,582</u>	<u>378,476</u>	<u>17,106</u>
<b>Ending Budgetary Fund Balance</b>	<u>\$ 219,565</u>	<u>\$ 219,565</u>	<u>\$ 240,993</u>	<u>\$ 21,428</u>

**Footnotes to Budgetary Comparison Schedules:**

1. The budgetary comparison schedules are reported on a GAAP basis with the exception of police pension on behalf payments.



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	<u>General Fund</u>
<b>Sources/inflows of resources</b>	
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule.	\$3,299,555
Differences - budget to GAAP:	
The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes.	(557,216)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes.	(760,060)
Payments to police and fire pension systems made by the State of Oklahoma are revenues for financial reporting purpose but not budgetary purposes	<u>36,706</u>
<i>Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds</i>	<u><u>\$2,018,985</u></u>
<b>Uses/outflows of resources</b>	
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$2,435,920
Differences - budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes.	(185,625)
Payments to police and fire pension systems made by the State of Oklahoma are expenditures for financial reporting purpose but not budgetary purposes	<u>36,706</u>
	<u><u>2,287,001</u></u>

2. The legal level of appropriation control is the department level within a fund. The City Manager has the authority to make line item transfers but any overall increases or decreases are to be approved by the City Council.

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**SUPPLEMENTARY INFORMATION**

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**Combining Balance Sheet – Nonmajor Funds (Accrual Basis) – City of Piedmont – June 30, 2013**

	<u>Comprehensive Plan Update</u>	<u>Street and Alley</u>	<u>Piedmont Special Projects Authority</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ -	\$ 287,985	\$ 896	\$ 288,881
Receivable from other governments	-	5,589	-	5,589
<b>Total assets</b>	<u>-</u>	<u>293,574</u>	<u>896</u>	<u>294,470</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	*	19,940	*	19,940
Due to other funds	-	6,671	-	6,671
<b>Total liabilities</b>	<u>-</u>	<u>26,611</u>	<u>-</u>	<u>26,611</u>
Fund balances:				
Restricted for:				
Streets	-	112,184	-	112,184
Economic Development	-	-	896	896
Assigned to:				
Streets	-	154,779	-	154,779
<b>Total fund balances</b>	<u>-</u>	<u>266,963</u>	<u>896</u>	<u>267,859</u>
<b>Total liabilities and fund balances</b>	<u>\$ -</u>	<u>\$ 293,574</u>	<u>\$ 896</u>	<u>\$ 294,470</u>

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**Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Nonmajor Funds**  
**(Accrual Basis) - City of Piedmont - Year Ended June 30, 2013**

	<b><u>Comprehensive Plan Update</u></b>	<b><u>Street and Alley</u></b>	<b><u>Piedmont Special Projects Authority</u></b>	<b><u>Total-Other Governmental Funds</u></b>
<b>REVENUES</b>				
Intergovernmental	\$ 31,050	\$ 52,792	\$ -	\$ 83,842
Investment earnings	-	162	-	162
Miscellaneous	-	47,003	-	47,003
Total revenues	<u>31,050</u>	<u>99,957</u>	<u>-</u>	<u>131,007</u>
<b>EXPENDITURES</b>				
Current:				
General government	-	-	199,896	199,896
Street	-	159,501	-	159,501
Capital Outlay	42,400	-	-	42,400
Total Expenditures	<u>42,400</u>	<u>159,501</u>	<u>199,896</u>	<u>401,797</u>
Excess (deficiency) of revenues over expenditures	<u>(11,350)</u>	<u>(59,544)</u>	<u>(199,896)</u>	<u>(270,790)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	140,792	140,792
Transfers out	-	(66,704)	-	(66,704)
Total other financing sources and uses	<u>-</u>	<u>(66,704)</u>	<u>140,792</u>	<u>74,088</u>
Net change in fund balances	(11,350)	(126,248)	(59,104)	(196,702)
Fund balances - beginning	11,350	393,211	60,000	464,561
Fund balances - ending	<u>\$ -</u>	<u>\$ 266,963</u>	<u>\$ 896</u>	<u>\$ 267,859</u>

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**Schedule of Expenditures of Federal and State Awards – Year Ended June 30, 2013**

<b>Federal/State Grantor/Pass Through Agency Grantor/Program Title</b>	<b>CFDA or Award Number</b>	<b>Award Amount</b>	<b>Awards Expended</b>
<b>FEDERAL AWARDS:</b>			
<b>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</b>			
Passed through Oklahoma Water Resources Board:			
Comprehensive Plan Grant	87.100	\$ 95,000	\$ 31,050
<b>DEPARTMENT OF HOMELAND SECURITY</b>			
Passed through Oklahoma Department of Public Safety:			
Interoperable Communications	97.008	5,964	5,964
Passed through Oklahoma Department of Public Safety:			
Interoperable Communications	97.008	5,964	5,964
		<u>11,928</u>	<u>11,928</u>
<b>DEPARTMENT OF TRANSPORTATION:</b>			
Passed through Oklahoma Highway Safety Office			
State and community highway safety	20.600	14,400	3,974
<b>TOTAL FEDERAL AWARDS</b>		<u>\$ 121,328</u>	<u>\$ 46,952</u>
<b>STATE AWARDS:</b>			
Department of Agriculture:			
Rural Fire Grant	N/A	\$ 4,484	\$ 4,484
Oklahoma Department of Libraries:			
Collection Enhancement E-book Grant	N/A	3,000	3,000
State Aid 13	N/A	5,040	5,040
Total Department of Libraries		<u>8,040</u>	<u>8,040</u>
<b>TOTAL STATE AWARDS</b>		<u>\$ 12,524</u>	<u>\$ 12,524</u>

**Footnotes to Schedule of Expenditures of Federal and State Awards:**

1. The Schedule of Revenue, Expenditures and Changes in Program Balances of State Awards is prepared on an accrual basis of accounting. The expenditures are recorded when the liability is incurred regardless of when the award proceeds are received.

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**Schedule of Debt Service Coverage Requirements – Year Ended June 30, 2013**

**GROSS REVENUE AVAILABLE:**

Pledged operating revenues (water and sewer systems)	\$ 1,638,394
Investment income	339
Sales tax pledged from the City General Fund	<u>1,338,010</u>
Total Gross Revenue Available	<u>2,976,743</u>

**OPERATING EXPENDITURES:**

Total Operating Expenses (water and sewer systems, excluding depreciation)	<u>1,244,483</u>
Net Revenue Available for Debt Service	<u><u>\$1,732,260</u></u>

**Annual Debt Service:**

2007 OWRB DWSRF Loan Payable maximum annual debt service	298,018
2009 OWRB CWSRF Loan Payable maximum annual debt service	<u>103,697</u>
Total Annual Debt Service on Revenues of the Systems	<u><u>\$401,715</u></u>

Computed Coverage	<u><u>431%</u></u>
Coverage Requirement	<u><u>125%</u></u>

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**INTERNAL CONTROL AND COMPLIANCE**

**CITY OF PIEDMONT, OKLAHOMA**  
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CPAs &  
Advisors

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the City Council  
City of Piedmont, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the City of Piedmont, Oklahoma, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise City of Piedmont, Oklahoma's basic financial statements, and have issued our report thereon dated February 19, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered City of Piedmont, Oklahoma's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Piedmont, Oklahoma's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Piedmont, Oklahoma's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether City of Piedmont, Oklahoma's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*HBC CPAs & Advisors*

February 19, 2014